

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Brulte Analyst: Roger Lackey Bill Number: SB 17XX

Related Bills: See Prior Analysis Telephone: 845-3627 Amended Date: 06-12-2001

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Solar Energy Credit

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

X AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

X AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced May 17, 2001.

X FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

X REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED May 17, 2001 STILL APPLIES.

OTHER - See comments below.

SUMMARY

This bill would allow a credit for the purchase and installation of a solar energy system.

SUMMARY OF AMENDMENTS

The June 12, 2001, amendments revised the "applicable dollar amount" per rated watt used in determining the taxpayer's credit. The "applicable dollar amount" was revised to be \$4.50 for any taxable year beginning on or after January 1, 2001, and before January 1, 2004, and \$2.25 for any taxable year beginning on or after January 1, 2004, and before January 1, 2006.

As a result of the amendments, a revised revenue estimate is included below. The remainder of the department's analysis of the bill as introduced May 17, 2001, still applies. In addition, the implementation considerations discussed in the department's prior analysis are included below for the author's convenience.

IMPLEMENTATION CONCERNS

This bill would require the department, in consultation with the State Energy Commission, to make a certain determination. However, it is unclear if the bill would require the department to determine the credit amount or the rated wattage of the solar energy system.

Board Position:

<u> </u> S	<u> </u> NA	<u> </u> NP
<u> </u> SA	<u> </u> O	<u> </u> NAR
<u> </u> N	<u> </u> OUA	<u> X </u> PENDING

Legislative Director

Date

Brian Putler

06/20/01

The need for the department to make a determination regarding the amount of the credit is not apparent since the taxpayer would be able to calculate the credit amount, and the bill defines the applicable dollar amount. If the intent of the bill is to require the department to determine rated wattage of a system, the department does not possess expertise in this area. In addition, no reference standard is provided to establish the basis for making such a determination. This language needs clarification so that it could be implemented by the department.

This bill would require that the solar energy system be “primarily used to meet the taxpayer’s own energy needs.” The concept of “primarily used to meet the taxpayer’s own energy needs” is undefined. Without definitions it would be difficult to determine whether a particular solar energy system complies with this requirement.

The terms “photovoltaic” and “wind-driven” are not defined.

A large number of taxpayers lease certain items of property rather than purchase them. As drafted, the bill would not apply to a taxpayer that leases a “solar energy system” for use in this state.

ECONOMIC IMPACT

Revenue Estimate

Based on the discussion below, the revenue loss from this bill is as follows:

Impact of SB 17XX For Taxable Years Beginning 1/1/2001 Assumed Enactment After 6/30/01 Fiscal Year Impact (In Millions)		
2001-2	2002-3	2003-4
-\$7	-\$9	-\$11

The tax credit estimates above interact with rebate programs and assume adequate funding of the latter.

This analysis does not consider the possible changes in employment, personal income, or gross state product that could result from this proposal.

Revenue Discussion

The impact of this bill would depend upon the number of individuals and businesses incurring qualifying solar energy expenses and the average credit applied against tax liabilities.

Revised revenue losses above reflect an increase of \$4 million for 2001-02, \$4 million for 2002-03 and \$6 million for 2003-04 from the previous version of this bill as introduced May 17, 2001. In the bill as introduced, the lesser of \$2.50 per rated watt or 50% of cost was the \$2.50 per rated watt. For most qualified purchases, increasing the amount per rated watt would shift the credit constraint away from the per watt amount and toward the percentage of cost. It is also assumed that increasing the credit to \$4.50 would result in a slight shift away from a rebate and toward the tax credit. With the above exception, the previous analysis and assumptions for this bill still apply.

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